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DEPT FOR EB A/S ANTHONY WAYNE; SA/INS FOR J. BRENNIG, N.
DEAN; PLEASE PASS TO TSUNAMI RECONSTRUCTION TASK FORCE;
TREASURY FOR C. CARNES

SENSITIVE

E.O. 12958: N/A

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SUBJECT: SRI LANKAN POST-TSUNAMI RECONSTRUCTION UPDATE (MAY
11, 2005)

Ref: Colombo 833

This cable is for participants in the May 11 Tsunami IAWG
Meeting.

Reconstruction Progress

1. (U) In Sri Lanka, reconstruction progress continues at a measured pace. The Government seems to be feeling less pressure on the transitional housing front and has announced that they have surpassed 22,000 transitional shelters and will achieve their goal of 30,000 shelters in place by June 30. NGOs and private sector entities continue to experience constraints in land allocation in the East and poor logistical coordination in other areas. The 100 meter setback continues to be an issue and post intends to proceed with the digital video conference as outlined in reftel.

May 12 Private Sector Conference

2. (U) Post recommends representatives from IAWG agencies use the May 12 private sector conference as an opportunity to engage with senior Government and private sector representatives from Sri Lanka and Maldives. Both countries are sending top-flight representatives who are prepared to engage on potential projects and partnerships. Each country's participants were listed in reftel.

May 16-17 Kandy Development Forum

3. (SBU) The May 16 and 17 development forum remains an uncertain exercise, with no poverty reduction strategy draft yet available and increasingly pessimistic assessments about whether a joint mechanism will be in place (see below). Ambassador, USAID and ECON will represent US. Ambassador is planning to meet with World Bank ResRep before Friday to discuss potential outcomes.

4. (SBU) Post is looking carefully at a potential rollout of the supplemental, as we want to avoid either 1) the story being buried by the development forum coverage, or 2) the story being linked with the development forum, making it appear as though the forum was our preferred mechanism for pledging our assistance.

Joint Mechanism

5. (SBU) Finalization of a joint mechanism for the delivery assistance in the north and east continues to elude the Government and the rebels. The President met with some donors on May 10 (the Ambassador is scheduled to meet the President today) and told them she needs a few more weeks to bring her coalition partner, the Marxist-Nationalist Janatha Vimukthi Peramuna (JVP) on board. The JVP had announced that it would reveal its alternative to the joint mechanism during a rally on May 10. However reports from the rally indicate that no alternatives were presented, only anti-LTTE and anti-joint mechanism slogans. It is possible that the JVP alternative would be to substitute Tamil National Alliance representatives for the LTTE, something they have proposed in meetings with donor representatives. The JVP views the joint mechanism as a potential tool for the LTTE to gain additional sovereignty and concessions in the ongoing peace process.

USAID Pre-Bid Conference

6. (U) USAID Colombo hosted a "pre-bid" conference on May 10 for potential contractors to hear more about USG signature infrastructure projects and learn about USAID contracting procedures. The conference was well attended and should allow for a more rapid start to USAID tsunami infrastructure projects once the supplemental is passed.

Value Added Tax Conundrum

7. (SBU) We continue to be stymied in our effort to find a simple solution to VAT exemption for USG contractors

performing US assistance projects in Sri Lanka. The Finance Ministry has developed a rather convoluted system that would require all purchases to be registered roughly a month in advance (while the Government has not laid out this timeframe, the process they envision would be 2-3 weeks at a minimum). We hope that part of the problem is simply a lack of institutional memory in the Finance Ministry, as many of the Fiscal Policy officers are fairly new in the last couple months. Nonetheless, if we are unable to secure a quick resolution to this issue, it could impede progress on USG assistance projects in Sri Lanka.

All-Hazards Warning

18. (U) Post notes with interest the various plans for all-hazards warning systems, the USTDA/NOAA conference in Hawaii, the IOC meetings in Paris and Mauritius and the supplemental funding. We would appreciate some more perspective, however, on how the global and regional systems are to be linked with national systems. In particular, we would like to have a sense as to whether funding will be available for country-specific all hazards warning systems.

Tourism "Bounce Back" Initiative

19. (SBU) The USAID-sponsored Competitiveness Program will launch a joint project on May 11 with representatives from its tourism cluster, to collaborate with the Sri Lanka Tourism Board and Sri Lanka airlines to promote vacation travel to Sri Lanka. The strategy is to reassure and attract European and Indian visitors. The campaign will combine television advertisements and press events with trade shows and will also include targeted invitations to noted travel professionals and personalities. While overall arrivals of foreigner visitors remain fairly high, much of this is the result of foreign disaster assistance workers and volunteers. Numbers of vacationers remains low, and vacation-dependent businesses continue to struggle.

Post-Tsunami Analysis by Leading Sri Lankan Think Tank

10. (U) One of Sri Lanka's leading policy think tanks, the Institute for Policy Studies, released a study of the post-tsunami rebuilding situation, which made the following

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points (many of which are longstanding issues):

--The disaster had uneven impacts. 13 of the country's 25 districts were affected, but the North and East were particularly hard hit accounting for over two thirds of the deaths and almost 60 per cent of the displacement (as of January, 2005).

--There is a need to place the tsunami within the broader debate over policy choices facing Sri Lanka. For example, public sector problems and shortcomings in the context of the tsunami highlight many well known and long running challenges to the public service, including lack of a service culture or consultation, weak procurement and hiring and firing policies, politicization, limited Ministerial coordination, unclear relationship between the center and local levels and weak oversight of public funds.

--The primary reconstruction priority is not raising additional funds, but the process of using existing funds to rapidly and equitably restores tsunami-affected areas.

--The reconstruction process must build on the existing capacities and strengths of the poor, affected people e.g., building roads and houses with local skills, constructing fishing craft with local boat builders, and rehabilitation of the destitute through community-level centers.

--The reconstruction must avoid the impression of a two-tier situation developing between tsunami survivors and other poor groups such as those displaced by the conflict and other low-income households.

--Regarding the most pressing issue of permanent housing, there is an urgent need to start a dialogue with beneficiaries about house design, land selection and priorities to allocate land to beneficiaries

INGO Meeting

11. (U) Foreign Minister Kadirgamar and TAFREN Chairman Mano Tittawella (who is leading Sri Lanka's delegation to the May 12 private sector forum) attended a Red Cross sponsored meeting with INGO representatives in Geneva on May 7. During this meeting, Kadirgamar reportedly discussed the following themes:

--Need for INGOs to work as development partners of the Government to ensure that assistance reaches those in need.
--Need for NGOs to register with the Center for the Non-Governmental Sector (CNGS) in the Finance Ministry for post

tsunami reconstruction work, which would enable the

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Government to easily integrate their activities and programs in the overall reconstruction plan.

--Need to build local capacities particularly of the district level administrative units, and local NGOs.

--INGOs to develop their own 'guiding principles' for their operations parallel to those developed by TAFREN for the Government of Sri Lanka.

--Need for clearer understanding among the partners involved i.e. Donor countries, Multilateral funding agencies, INGOs, NGOs and the Private Sector and the Government, on the reconstruction activities undertaken in order to fill the gaps on funds available and project needs as well as to avoid duplication.

--In view of the availability of substantial funds, need to consider reaching out to the wider community along with the tsunami victims. This will also help to avoid creating new

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inequities.

--Need to maintain quality standards in all reconstruction work; rebuild better and environmentally sustainable.

--Need for transparent reporting mechanisms and to keep the public informed of the outcome of contributions made.

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